The effect of entrepreneurial orientation on business performance: Evidence from small medium size enterprise.

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Abstract: Entrepreneurship has long been considered a significant factor for socioeconomic growth and development because it provides millions of job opportunities, offers a variety of consumer goods and services, and generally increases national prosperity and competitiveness (Lee, 2000). Many scholars have focused on the individual level behavior analysis for the entrepreneurs and others as Wiklund (2005) focused on the firm level in behavior in explaining entrepreneurial performance on the basis that the behavior gives a meaning to entrepreneurial process. Other scholars remain in the area of studying entrepreneurship without entrepreneurs and it remains worthwhile for a certain period at the individual level (e.g. using a trait-based approach). Although, we believe that the dispositional characteristics are to be related to the firm level behavior as well as affect the firm performance outcomes for a complete understanding of the entrepreneurial process.

To date, few studies have examined how dispositional traits, firm-level behaviors, and firm-level outcomes are related (Poon et al., 2006).

Keywords: small medium sized enterprise in Egypt, entrepreneurial orientation, and firm performance.

i. Introduction:

Due to multidisciplinary nature of entrepreneurship research has led many post behaviorist scholars to view entrepreneurial activity as a process of sociological, personal, and environmental factors involving an innovation, a triggering event, implementation, and growth. Due to these interdisciplinary many scholars tend to focus on elements of the entrepreneurial process such as opportunity recognition, risk and uncertainty, the start-up process, social networks, teams, knowledge and use of assistance, among others, through the lens of their discipline only.

In looking to contribute to the identification and understanding of the behavior that may lead an Entrepreneur to success, studies by McClelland set forth the following entrepreneurial characteristics: seeking opportunities and initiative, identification of opportunities, ability to react to frustration and 'stressing' situations, demand for quality and efficiency, commitment, establishing goals, planning and systematic monitoring, persuasion and a network of contacts, and independence (Nassif et al., 2010). These individual based characteristics and other personal attributes such as the need for realization, a propensity for taking calculated risks, and control *locus* (an intense desire to be in control of one's own destiny), are observed in the majority of successful entrepreneurs.

So we aim at this study to have a model to combine the individual level variables and firm level variables for explaining the performance of entrepreneurial led- small medium sized enterprise. For the individual level independent variables, there are three self concept traits related to firm performance based on the past literature review which are the achievement motivation, and internal locus of control – have been the focus of much dispositional research on entrepreneurship. The third variable is the generalized self-efficacy also has an effect on the firm performance. *For our firm-level behavioral variable,* we looked at entrepreneurial orientation.

Although a review of the entrepreneurship literature revealed theoretical work identifies the importance of entrepreneurial orientation to the survival and performance of firms has been acknowledged in the entrepreneurship literature (Lumpkin and Dess, 2001; Wiklund and Shepherd, 2005). As well as the empirical work by Rauch et al (2009) determined that there is a direct relationship between the entrepreneurial orientation and firm performance. Hughes and Morgan (2007) concluded that EO on performance can be regarded as moderately large and they found a correlation between them of 0.242. While the independent impact of each of the five dimensions of entrepreneurial orientation have directly effect on the firms specially the high tech firms at the emerging stage of development and selected firms at the incubators. EO profile will directly and indirectly affect the SME performance taking via mediating effect of information utilization (Keh et al., 2007).

Lee and Tsang, (2001) suggesting that certain traits influence entrepreneurial performance and success, there is little theoretical or empirical work that has been offered to explain the mechanisms through which these traits affect performance. We add the entrepreneurial experience, education and gender could affect the entrepreneurial success.

For the firm performance as the dependent variable we choose it because of its importance to individuals, organizations, and society. Especially the small medium sized enterprise as it is an outcome that all entrepreneurs must address.

The development of the entrepreneurship field:

In 1730's Richard Cantillion used the French term "entrepreneurs" or "undertaker" to refer to those who undertake self employment while accepting uncertain return. The frensh term was entre and preneurs means an undertaker and The concept first appeared in the French dictionary *Dictionnaire de la Langue Francaise* in 1437 (Zimmerman, 2008). Examples of those entrepreneurs are Bill gates an individual who build a successful business and who innovate a bundle of new products. Richard ford, Michael Dell and others.

Most scholars divide the work by these economists into Classical (to about 1850), Neoclassical (to about 1950), and Modern (to about 1980) streams. The Modern stream is significant, as it introduced entrepreneurial theory to the behavioral sciences. Because of the volume of research available, the review of the history of entrepreneurship theory will be limited to those luminaries who have made the most significant contributions (Zimmerman, 2008).

During the 1990s, which is the growth phase related to entrepreneurship research; the social behaviorists began to step on this field and the transitions happened in societies due to the economical and political changes and the competition new technological advancement and globalization, entrepreneurship research grows exponentially in terms of number of researchers, articles, conferences, journals, etc., and we can find an increased fragmentation of the field with many parallel “conversations” in research. However, the research was still rooted in society and the expanding knowledge economy of the 1990s. In many countries entrepreneurship became an important part of the political agenda, and entrepreneurship research became a vehicle to solve regional and national problems and to stimulate entrepreneurship, and a lot of entrepreneurship research, not least in Europe, was financed by

policy-linked organizations. As well as during this phase of the growth, the researchers also achieve some empirical evidence and the researches gain its roots in the organization and the society.

The modern theorists here according to Zimmerman, 2008 divided this phase into two the HARVARD TRADITIN based with some modification on the Schumpeter work by considering the entrepreneurship consider three points: the changes in economic system, the organizational creation as a means of commercialization of innovation and the entrepreneurship work and tasks was to create profit through the production and distribution of goods and services. THE ARTHUR COLE: the Harvard economist strengthened and broadened the Schumpeter position by asserting that the entrepreneurial role had to be included in economic theory. Cole maintained that for any economic theory to be realistic it must consider the entrepreneur as the catalyst.

One of the more fundamental shifts in the entrepreneurship research is the research interest in the entrepreneur's traits. Arnold McClelland (1917–1998), a psychologist at Harvard University, presented the first empirical studies of entrepreneurship based on behavioral science theory in his groundbreaking work The Achieving Society. McClelland correlates the society's need for achievement and its economic development. He then extrapolated characteristics of entrepreneurial behavior into a theory of the psychological characteristics of individual entrepreneurs. McClelland identified entrepreneurial traits as a high need for achievement, having strong self-confidence, possessing independent problem-solving skills, a preference for situations of moderate risk, actively seeking feedback, and accepting individual responsibility. The promise of McClelland's research was in its predictive potential in identifying who is likely to be an entrepreneur and how successful that entrepreneur may be (Zimmerman, 2008).

Scholars like Gartner refuse the trait theory of McClelland as he assumed that entrepreneurship will cause entrepreneurs not entrepreneurs who caused entrepreneurship. The work of William Gartner shift the work in the entrepreneurship research by asking: who is the entrepreneur? Is the wrong question? Gartner (1990, 1993) has stressed that entrepreneurship is about "the creation of new organizations" (Landstrom, 2008).

From the role of entrepreneurs in the economy moving through the modern era, the psychology gave tools to the efforts of identifying the characteristics and personal traits and motivation of an entrepreneur. Also there was a trial of identifying entrepreneurial profiles by identifying the main characteristics of entrepreneurs and entrepreneurial practices and its effects on the firm performance specially growth (Fayolle et al., 2005). Other researchers accused this trait approach relied upon simplistic assumptions of behavior and personality and other assumed that the correlation between the traits and business performance is difficult to measure due to the mediating or moderating variables.

Since the entrepreneurial process has to combine the entrepreneurial characteristics in order to exploit and recognize opportunities and despite the efforts of all scholars there is little literature that combine the individual characteristics and the strategic orientation within the firm boundaries related to entrepreneurs and its connection with firm performance since the

main aim of entrepreneurs is to recognize opportunities and exploit them, innovate, take calculated risk, assume its results, achieve the stated goals eventually will affect the entrepreneurial orientation profile within the firm as these entrepreneurial characteristics will be connected with the strategic orientation of the firm and finally affect the performance. Since the entrepreneurial orientation EO has been an extensive research topic so it is very important to demonstrate the literature related to the EO- performance link.

ii. Literature review:

Entrepreneurial orientation and firm performance:

The entrepreneurial orientation and firm performance link has been high lightened thoroughly in the literature whether theoretically or empirically. Much of this research has been based on Miller's work (1983). Miller suggested that firms' degree of entrepreneurship could be seen as the extent to which they innovate, take risks, and act proactively. These were the three "entrepreneurial" dimensions of strategy out of a total of eleven dimensions discussed by Miller and Friesen (1978) (Dvidsson et al., 1999). So the main idea here is to capture the process of the entrepreneurship rather than the managers (the actors behind them).

Entrepreneur's personality characteristics or traits affect the performance of the firm as approve by many researchers (Thelma and Whittaker, 2003; Lee et al., 2001, Krauss et al., 2005). The five dimensions of EO offer concrete guidelines of how individuals and firms can be more successful in their task and anyone who is interested in improved performance for their personal careers as well as nonprofit organization, start up business and established ones (Cetro et al., 2009). Entrepreneurial orientation involves a willingness to innovate, search for risks, take self-directed actions, and be more proactive and aggressive than competitors toward new marketplace opportunities (Lumpkin and Dess, 1996; Wiklund and Shepherd, 2005). There are five distinguished dimensions of entrepreneurial orientation, including innovativeness, risk-taking, proactiveness, competitive aggressiveness, and autonomy, as suggested by Lumpkin and Dess (2001).

The importance of entrepreneurial orientation to the survival and performance of firms has been acknowledged in the entrepreneurship literature (Lumpkin and Dess, 2001; Wiklund and Shepherd, 2005).

Dimensions of the EO suggest that entrepreneurial firm is one that engage in product – market innovations, undertake somewhat risky ventures and has proactive innovation and competitive aggressiveness which captures the idea of beating competitors to the punch and the tendency toward independent and autonomous action (Li et al., 2008). There is direct relationship between EO as a firm concept and firm performance, Rauch et al., (2009) concluded that EO effect on performance can be regarded as moderately large and they found a correlation between them of 0.242. While the independent impact of each of the five dimensions of entrepreneurial orientation have directly effect on the firms specially the high

tech firms at the emerging stage of development and selected firms at the incubators (Hughes and Morgan, 2007).

While EO is strongly and positively related to small medium sized enterprises growth within the Finnish context based on the actual sales of the past five years and no support for the EO-firm profitability link and for the same empirical study made by Soininen et al (2010) they found results show that the firm's risk taking orientation is significantly positively related to higher variability in profitability. Moreover, the interaction of risk taking and profitability indicates that the firms with higher risk taking profile end up to the higher level of actual measured profitability. This in turn indicates that risk taking orientation of firms actually generates higher profitability for firms as well.

EO represents one of the areas of entrepreneurship research where a cumulative body of knowledge is developing and the dimensions of EO may vary depending on the environmental and organizational context and may not be equally valuable across the stages of development. While there are so many moderating variables that enhance the positive relationship between EO and business performance that could be taken into consideration while studying the EO-performance link as the environmental dynamism, The dynamic environment will affect the EO effects on performance as the EO effect in the dynamic environment will be lower than in stable environment (Wiklund and Shepered, 2005). While taking the mediating variables which are the 1- the type of strategy used and 2- the environmental dynamism and 3- the availability of resources and capabilities, there is a positive relationship between the EO and performance. Innovations is one dimension of the EO that exercise the greatest influence on the type of expansion strategy that encourages the development of new products through prospectors behavior and in a dynamic environment no hostile one with the availability of resources (Moreno and Casillas, 2008). And taking the knowledge creation process as a mediating variable mediates the EO-performance relationship, the conclusion reached that the significance of direct effect of EO on firm's performance is reduced when the indirect effect of EO through the knowledge creation process is included in a total effect model and confirmation on the positive relationship between EO and firm performance (Li et al., 2008). By taking the marketing orientation as mediating variable that positively moderates the relationship and confirm the relationship between the EO and business performance (Li et al., 2008; Merlo and Auh, 2009).

All the previous section were related to the entrepreneurial orientation –performance link and how the strategic orientation (EO) within the firm boundaries were approved to be directly or indirectly related to firm performance while there are many environmental, social, economical variables may interfere with this relationship.

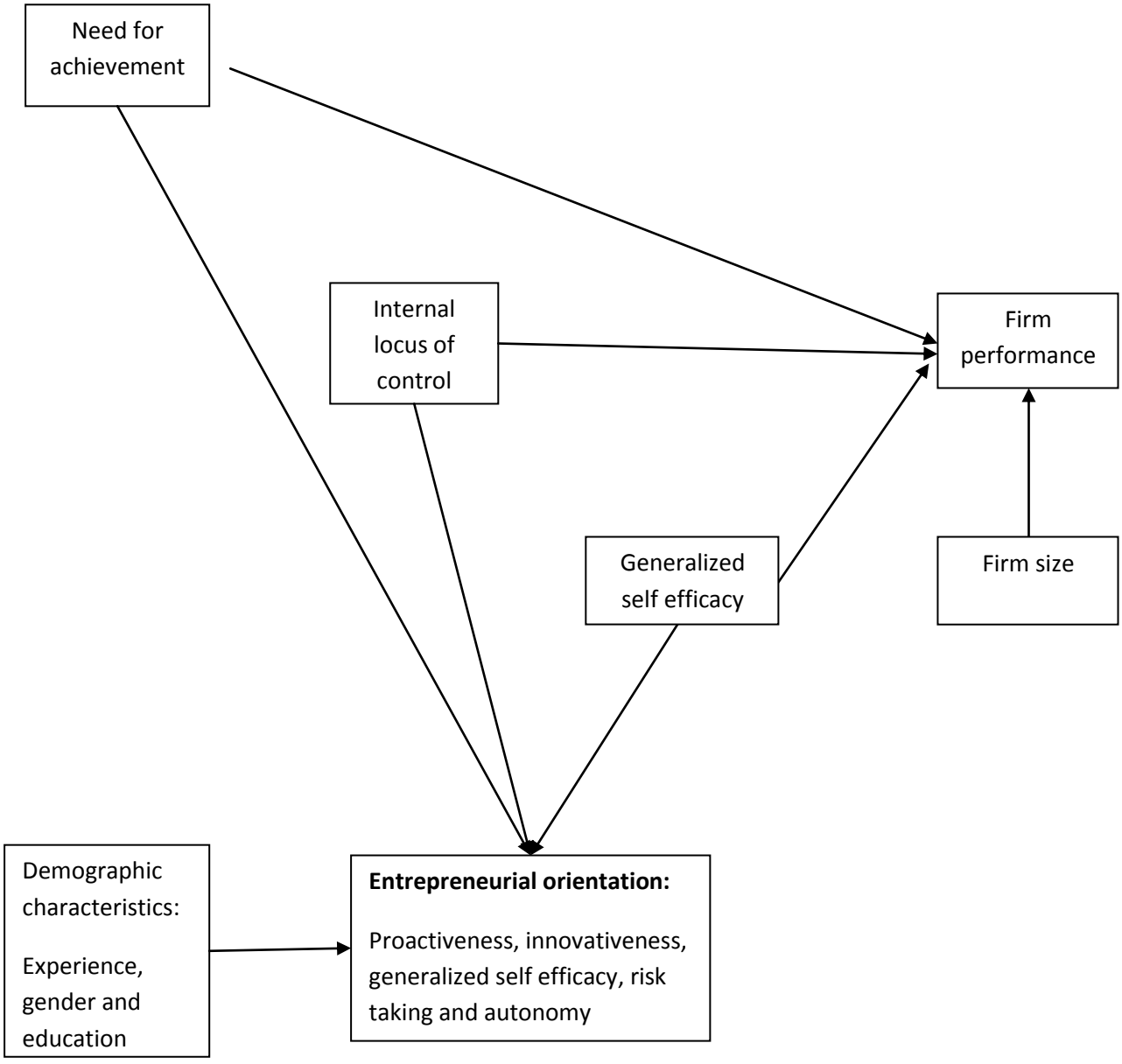
Mediating Role of Entrepreneurial Orientation

In general, entrepreneurial orientation or posture refers to top management's strategy in relation to innovativeness, proactiveness, and risk taking. *Innovativeness* reflects the propensity of a firm to engage in new ideas and creative processes that may result in new products, services, or technological processes; *proactiveness* refers to the extent to which a firm is a leader or follower; and *risk taking* is the extent to which a firm is willing to make

large and risky resource commitments. Firms with an entrepreneurial orientation are willing to innovate, be proactive relative to marketplace opportunities, be aggressive toward competitors, and take risks (Lumpkin and Dess, 1996). It is, therefore, a firm-level, behavioral process of entrepreneurship. In entrepreneur-led firms, however, the behaviors of the firm and that of the entrepreneur are likely to be the same.

There is some evidence that entrepreneurial orientation is significantly related to firm performance as we said earlier. Although there is no direct evidence that entrepreneurial orientation mediates the relationship between traits and firm performance, there is evidence that the relation of personality traits with venture performance is mediated by competitive strategy (Baum et al., 2001).

We choose the control variable we use the firm size as a control variable as we conduct our study on small medium sized Egyptian firms.



iii. **Traits and Entrepreneurial Orientation**:

What specifically are these actions or behaviors for entrepreneurs possessing certain self-concept traits? We aim at this study to suggest a model that relate between the entrepreneurial traits, EO and business performance specially the small medium sized

enterprise. Traits alone are not sufficient for successful business leadership those with the requisite traits must take the actions to be successful leaders. Specifically, we believe traits such as *internal locus of control* and *generalized self-efficacy* will have an influence on entrepreneurs' approach to the competitive environment as reflected in the strategic actions that their firm takes.

People with *high internal locus of control* believe that they are able to exercise control over their environment and are unlikely to conform to external influences. Therefore, entrepreneurs with high internal locus of control, relative to those low on this trait, will be more likely to try new approaches, pursue new opportunities, initiate change instead of reacting to events, and take risks. *These behaviors are consistent with the innovative, proactive, and risk-taking characteristics of entrepreneurial orientation.* Firms led by entrepreneurs who engage in these behaviors will be likely to adopt such an orientation also. In contrast, entrepreneurs who believe there is little they can do to change things will not be motivated to attempt to do so. Firms led by entrepreneurs with such a passive orientation, likewise, will reflect this orientation.

Given that previous studies have established associations between locus of control and performance-related outcomes, it would be reasonable to expect a similar link between this trait (as exhibited by entrepreneurs) and the performance of entrepreneur-led firms. There is, in fact, some evidence for such a relationship. For example, Lee and Tsang (2001) using a sample of Chinese entrepreneurs in Singapore, they found internal locus of control to be positively related to venture growth. On the basis of the theoretical arguments and previous empirical evidence,

Research proposition one:

Internal locus of control will be positively related to firm performance.

Similarly, we expect the same process to work for *generalized self-efficacy*. In deciding whether or not to act on the environment, people must evaluate not only how much influence they can exercise over it but also how capable they are (Poon et al., 2006). Generalized self efficacy is related to the one perceive ability to achieve certain performance so it is related to the achievement motivation and behavior. There is a suggestion that it is related to the entrepreneurial intentions and it is a prediction of venture growth.

People with varied and numerous experiences of success are expected to have positive self-efficacy expectancies in a greater variety of situations resulting in general self-efficacy expectancies. Generalized self-efficacy refers to people's estimate of their 'fundamental ability to cope, perform, and be successful'. We used generalized self-efficacy instead of task-specific self-efficacy in this study because the former more closely reflects a stable disposition.

Research proposition two:

Generalized self-efficacy will be positively related to firm performance.

For the achievement motivation Wei et al (2008) studied two factors which are the internal locus of control and need for achievement and how entrepreneurs with strong personality traits will be better in arranging the resources and capabilities of the firm to achieve either low cost or differentiation advantage compared with marginal players in industry. They concluded that there is significant association between personality traits and competitive advantage of Malaysian SMEs as well as Lee and Stang (2001) concluded that need for achievement and internal locus of control were have direct impact on growth specially Need for achievement is the highest impact on the venture growth. These factors (need for achievement and the internal locus of control and the risk taking propensity which are the three specific personality traits; entrepreneurs (founders) are scoring higher in the need for achievement and the risk taking propensity than the non founders (the small business manager) but the internal locus of control is similar in the two groups (Begley and Boyd, 1987).

Focusing on need for achievement and locus of control through a longitudinal study Hansemark (2003) found that these two entrepreneurial characteristics important for successful entrepreneurs for example high need for achievement distinguish between successful and unsuccessful entrepreneurs. So as an entrepreneur, the achievement motivation is related to the one's ability to achieve certain level of performance in the current state and challenge his or her self by taking certain innovation and risk to achieve more and better performance comparing with their competitors.

Research proposition three:

Achievement motive will be positively related to firm performance.

Entrepreneurship and economic growth:

Entrepreneurship had a close link related to the strategic management and several of the pioneers in the of entrepreneurship research was also regarded as pioneers in the field of strategic management – which led to an early intersection between the two fields, and we can find an early interest among researchers in "performance", expressed as an interest in finding predictors of success for new ventures – trying to create better performance in the ventures by identifying success factors of survival and/or growth.

Small medium size enterprise is considered today as a major factor affecting the economy development and it is considered today as the wheel for economic growth and solving the problem of unemployment. SMEs play a fundamental role in the economy in the way that unemployed people favor to start their own businesses and be entrepreneurs.

The performance of SMEs – Entrepreneurship link is considered as a major factor affecting the SME performance specially the high performance can facilitate growth and subsequent profit performance, which in turn can yield employment and economic growth.

Conversely, low-performance may lead to firm stagnation or failure and the negative economic ramifications of these outcomes (Wolff and Pett, 2005).

Recognition of the economic significance of small firms, and high-tech small firms in particular grew during the last quarter of the 20th century and its effect on the economic growth of each country. During 1970's there was a stream toward a smaller companies due to the economic difficulties facing large corporation because of the inflexibility and slow to adjust to new market conditions. Thus, there were a major shift in the industrial structure in favor of small companies, a phenomenon that appeared not to be specific to the USA – it was a trend in most developed Western countries. There may be several explanations for this shift in focus from large companies to small firms. Carlsson (1992), for example, found two explanations: (1) A fundamental change in the world economy, related to the intensification of global competition, the increase in the degree of uncertainty, and the growth of market fragmentation, and (2) Changes in the characteristics of technological progress, i.e. the recession of the 1970s and 1980s initiated a series of technological waves – first the development of information technology followed by the biotechnological wave.

With this shift the new area of interest emerged entrepreneurship, innovation, industrial dynamics and job creation. There were some pioneers researchers in the field of entrepreneurship as David Birch presented his seminal work *The Job Generation Process*. Birch was interested in understanding how jobs were created (Landstrom, 2008). But what kinds of firms played a critical role in job creation? Birch found that the majority of new jobs were created by firms – often independent and young firms – with 20 or less employees. The conclusion was that it was not the large firms that created new jobs, but the small and young firms in the economy.

The work of some authors on the job creation process is empirical evidence that small businesses and newly formed firms create a substantial number of new jobs, with some studies showing that small and new firms are the source for the majority of new jobs created. This conclusion has been reached in studies on job creation in numerous countries such as the United States, Sweden and Canada (Wong et al., 2005).

According to Small medium sized enterprise in Egypt:

According to Egypt, the first step in order to have an economically developed country is to depend on development of projects and create job opportunities and compete globally. Specially during the economic downturns and crises there is a close relationship between the SMEs and entrepreneurship specially when the SMEs face a strong expectation for their role to be a key players when the economies will be recovering from the current crises as it seem hard for large companies to cope with and be as flexible as large small and medium sized enterprises.

For the creation of job opportunities, small medium size enterprise have been a focus for studying its effect on the economy and the job creation process as well as its flexibility and ability to modify more in face of the challenges and competitors than the big firms as the large corporations have inflexible and could be affected more in changing their systems than the SMEs. Also due to the sever competition , SMEs could be eaten by their big competitors so the role of incubators and the economical and governmental support considered one of the most important role of the government in order to help the development and enlargement and resistance of SMEs in face of challenges. It also represents the basic intake of employment and contributes effectively to the export and increase the capacity of innovation. On average, small and medium enterprises represent more than 90% of the establishments in the countries of the developed world and developing world. For example describes the statistics available for some countries in the Arab world that the number of industrial establishments employing less than ten workers accounting for 95% in Egypt and 42% in Tunisia and 50% in Morocco (Ghoneim, 2004).

Also we have a major problem in Egypt that we don't have a unified definition for Medium and Small enterprises and definitions of the SME sectors differ from one entity to another depending upon their usage, activities, and policy objectives. However, a unified definition is needed as it makes it easier to manage and handle the problems of that sector.

Small enterprises standards:

Countries	Number of employees	Other standards in defining SMEs
In UK	Small: Not more than 50 employees. Medium: Not more than 250 employees	Profits not more than 3.26 million. Turnover: not more than 6.5 million. Profits: not more than 12.9 million. Turnover: not more than 25.9 million.
In USA	According to industries the "SBA" uses the term size standards. Small: Not more than 500 employees for manufacturing and mining industries. Not more than 100 employees for wholesale industries.	Annual receipts for different industries are used as another measurement.
Egypt:	Small: Not more than 50 employees.	SMEs paid in capital not less than 50 thousands and not more than million Egyptian pound.

According to law number 141 for year 2004 *"small medium size enterprise are those individually managed for any commercial, service business its paid in capital not less than fifty thousand pounds and not more than 1 million Egyptian pounds and its labor no exceeding fifty workers".*

So they depend on the employee numbers and the Paid in capital in their definition for small enterprises.

While many operational definitions appear with:

1. Number of workers

2. Size of capital

3. The existence of certain legal or institutional conditions.

But the most common used criteria are based on:

1. Number of workers in the enterprise.

2. Fixed assets the enterprise has.

Governments of countries should be aware of the importance of the role played by small and medium enterprises in their economies. Thus governments began to support these projects through the development of a number of policies, laws and regulations, which helps small and medium enterprises to thrive and work in a healthy economic environment. This is because small and medium enterprises often suffer from problems that differ in nature from those problems faced by large-scale installations. Literature has shown that there are three major problems, especially small and medium projects.

- *Problems related to the compact:* that prevent small and medium enterprises to benefit from economies of scale enjoyed by large enterprises of like them.

- *Problems related to the difficulty in obtaining production inputs:* large corporations may have opportunities for better access to markets, inputs, credit, employment and IT infrastructure and technology than it once did for small and medium enterprises. The reason for this is that suppliers of production inputs have to deal in large enterprises easier, cheaper and safer than dealing with small and medium enterprises.

- *Problems related to bias in government policies:* In many countries, especially in developing countries, we find that government policies are biased in favor of large enterprises.
  The existing regulations and applicable laws and regulations discriminate large enterprises. With an inefficient bureaucracy, we find that transaction costs increase significantly, which means that only large enterprises are capable of dealing with such costs.

The proportion of small and medium enterprises in the four core industries is high on average compared to other industries, cultural and non-cultural, given the nature of these industries, which are highly dependent on the personal capacity for innovation and creativity.

- *Book publishing industry:* the facilities that you publish the books are not necessarily small and medium projects. For example, there are two basic categories of publishing two books, the big house, which employs a factor of 70-80 and small house, which employs an average of 15 workers.
- *Music recording industry:* in the industry as well, not necessarily that facilities are small or medium-sized enterprises. At the other extreme, we find that this area is controlled by giant companies in developed countries. In developing countries such as Egypt, we find that the market is divided between large-sized companies and medium-sized companies, which operate 25 workers on average.
- *Film production industry:* the industry is witnessing a wave of mergers and acquisitions and longitudinal integration. However, we find in Egypt, the small and medium enterprises still represent the majority of companies operating in this area an average of 15 workers in each company.
- *The software industry: IT* consists of large enterprises and small and medium projects. In Egypt, the average number of employees in small and medium enterprises is 5 members.

One of the laws enacted in order to solve some of the problems faced by the SMEs in Egypt and most of middle east countries related first of all the definition of the SMEs by quantitative measure as the employment level, the paid in capital, the production capacity, profits and or others and they are the most widely used in Europe and USA.

iv. Exploratory evidence- qualitative research:

The main aim at this point is to conduct an exploratory research for better comprehension of the problem at hand in order to gain familiarity with the situation and understand the relationship between the different variables related to the entrepreneurial characteristics and EO and SMEs performance.

So we conducted data through in depth interviews which are exploratory in nature. When the data reveal some pattern regarding the phenomenon at hand propositions will be developed for further testing.

The use for unstructured interviews and open ended questions would be asked and the replies to them inform us about the totality of the relationships between the dependent and independent variables.

The performance of the firms usually is difficult to measure because business owners tend not reveal their financial data. Recognizing that firm performance is multidimensional and following the suggestion of Wiklund (1999), we assessed the firm performance based on the average amounts of annual sales and profits.

By conducting 6 in depth interviews with owners of medium and small medium sized enterprises we conclude the following from these preliminary data 4 out of the in depth interviews were with owners that build themselves in an innovative way and took the risk to go on with their business in the Egyptian market.

As the interview questions asked to them some Quotes are like *"I saw a future for such industry in Egypt and I dreamed to build my own company and factory".*

Another said *"I stated in an early age and when I saw an opportunity and Egyptian market needs so I took advantage of my expertise then by evolving the business I started to have assistance from other financial and economic experts".*

Another said *"I found that my products were normally exports from abroad so I got into the fight to get the license here then finally I raised my child".*

Another said *"I knew it feels right to tap in such new field so I delegated some authorities then we worked on it".*

Another said *"Failure doesn't paralyze me but push me forward with precautions".*

So by asking the average number of their annual profit and sales which are data are not easily revealed to us we found that they are exceeding 1 million Egyptian pound we deduced from such statement that there is some connection with internal locus of control as the entrepreneurs act instead of react to events by taking risk and innovative behavior to have their dreams and become actually profitable as high performing companies with a EO "strategic orientation" that affect the firm performance.

While on the other hand, the other two owners were in a moderate risk business and they revealed from the interview that they do not prefer to got a high risk business and even when as someone said " any innovative and risk taking employee with a different mind thinking I offer him to be a partner and share the liabilities and risks with me."

Another said *"I share my risk with my employees as I offer those high incentives and benefits but when a loss occurs they share 50%of the losses".*

Another said *"My business started with no innovation but the way the information technology introduced new ways of handling the process inside the factory so I decided to look for the easiest and fastest way of technology to attract new customers and took high risks of using such technology in my business because it could lead to failure".*

Another said *"I don't trust anyone to do the job in another way than mine".*

By having their average sales and profits below 1 million Egyptian pounds and as theses answers against any innovation or risk taking or even proactivety so they are considered a low in the EO effects on business performance.

Conclusion:

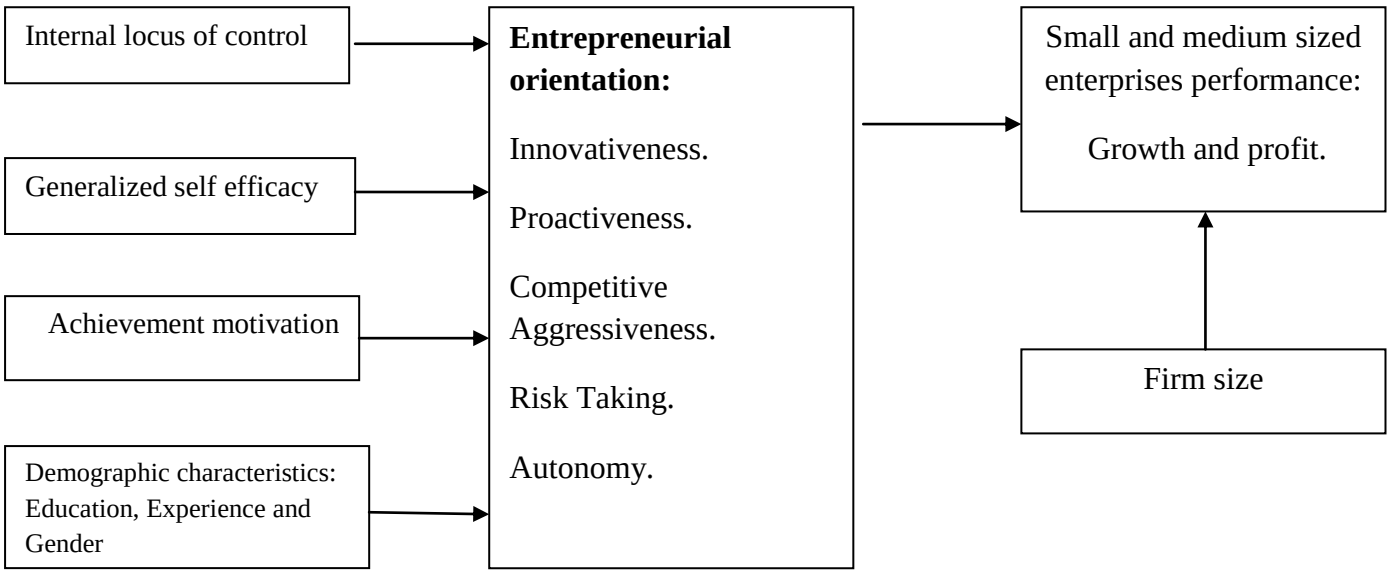
We deduced from the previous in depth interviews that the high generalized self efficacy will affect the EO construct related to innovativeness and risk taking and proactivety of the medium Egyptian enterprises while their effect are not on the same degree related to the small enterprises. While the high internal locus of control will affect the proactivety and innovativeness, and risk taking as well in both small and medium Egyptian enterprises.

The entrepreneurial expertise did not make such difference in relation to entrepreneurial success but we still use the firm size as it should be taken in consideration when dealing with the small medium sized enterprises.

So the internal locus of control and the generalized self efficacy will affect the small medium sized enterprises mediated by the entrepreneurial orientation.

So we had to change some variables in the model as follows:

A conceptual model



v. Planned empirical testing:

We will develop a structured questionnaire to be distributed on a representative sample from small medium enterprises in Egypt in order to test the internal locus of control, the generalized self efficacy and the achievement motivation as the entrepreneurial psychological characteristics mediated by the EO construct on the small and medium sized enterprises performance in Egypt.

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